

ROWAN COMPANIES, INC.

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October 23, 2006

Minerals Management Service
Attention: Rules Processing Team
381 Elden St, MS-4024
Herndon, VA 20170-4817

RE: Oil and Gas and Sulphur Operations in the OCS—
Safety and Environmental Management Systems-AD 15
ANPR May 22, 2006, RIN 1010-AD 15

To Whom It May Concern:

Rowan Companies, Inc. (Rowan) is a major provider of contract domestic and international oil and gas well drilling services. Rowan owns and operates 20 Mobile Offshore Drilling Units (MODUs), nineteen (19) of which are U.S. flagged, and has four (4) MODUs under construction in the U.S. Rowan also owns and operates a fleet of land drilling rigs operating domestically and owns and operates a manufacturing division that produces equipment for the drilling, mining and timber industries.

Rowan appreciates the opportunity to provide comments in connection with the subject Advance Notice of Proposed Rulemaking (ANPR) concerning your regulatory approach to safety and environmental management systems (SEMS) for oil and gas operations conducted on the United States Outer Continental Shelf (OCS).

MMS and OCS operators and contractors share a common goal of minimizing injuries, accidents and environmental damage. We are generally supportive of MMS' efforts to extend the use of performance-based regulations on the OCS provided regulatory flexibility is maintained. Rowan was privileged to participate in a recent MMS informal field audit of our Safety and Environmental Management System (SEMS). While we are proud of the accomplishments gained from the use of our program, it must be said that our SEMS would not necessarily be beneficial as a template for use by other contractors or operators. Our program has been specifically tailored to our company's culture and has evolved over an approximate 10-year period. Each of the numerous program iterations were driven by unique internal experience, which would be impossible to replicate in another company.

As noted in the ANPR, API developed API RP 75, "Recommended Practice for Development of a Safety and Environmental Management Program for Offshore Operations and Facilities" in 1991 and added additional environmental guidance in 2002. Rowan actively participated in the update (2002) of RP 75. We believe that API RP 75 serves as an excellent basis for operators and contractors to develop a sound safety and

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environmental management program that can be customized to fit the various types of operations and management styles of the various operators and contractors working on the OCS. As evidenced in the MMS performance measures, the rate of incidents has significantly decreased since 1996, which we believe can be attributed to operators and contractors focusing on safety and environment stewardship. We believe that having a flexible program that is customized to the needs of each individual operator and contractor is fundamental to sound safety and environmental performance. Excellence in this arena is not achieved by volume of paper, either due to prescriptive regulations, or voluntary programs by operators and contractors. Awareness, commitment and the personal responsibility and accountability of individuals in all levels of management and the workforce are the fundamental keys to achieving continuous improvement.

The management styles and safety cultures of the various companies operating on the OCS and their respective contractors are quite diverse. Certain companies prefer highly prescriptive regulations so they know exactly what rules to follow while others prefer an alternative approach. MMS regulations currently allow for this flexibility since alternative compliance to the regulations may be proposed by any operator under the provisions of 30 CFR 250.141-142 and granted by MMS. Therefore, an operator today who has a fully implemented safety and environmental program could propose alternative compliance to the current regulations based on his program and MMS could grant alternative compliance. No alterations to the current regulatory environment are necessary for this to occur.

We respectfully question whether mandating that all operators (and by extension their contractors) have a SEMS program will actually improve safety and environmental performance. A company may have an excellent written program that is fully implemented at the corporate level, including a functioning audit program, and still have accidents and incidents occur. In many instances, this may be due to individuals not taking personal responsibility and/or failure to fully follow the program. Mandating operators and their contractors to have a program will not solve this dilemma.

We are also concerned that MMS may consider other types of safety management schemes such as the safety case. We have exhaustively researched relevant incident statistics and find no appreciable benefit to such alternative programs. To the contrary, we firmly believe the safety case and other similar programs reduce personal responsibility and accountability and flood the workforce with more paper that is not relevant to day-to-day operations.

The incident investigation reports mentioned in the ANPR do not state if the involved company had in fact implemented programs in hazards analysis, operating procedures, mechanical integrity and management change or if personnel had failed to follow the

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involved company's programs and procedures. Therefore, it is not possible to conclude if a fully implemented SEMS programs would have prevented these incidents from occurring.

Additionally, Rowan is concerned that MMS may not be able to effectively administer their own regulations within their personnel and budgetary limitations if we alter the current regulatory approach to safety and environmental programs. As the regulations become more performance based, and operators create more varied programs to meet those regulations, MMS will have to develop customized verification programs to meet these various performance based schemes. Given MMS limited resources, we are concerned that MMS will have difficulty administering these customized approaches. If every operator and contractor working on the OCS developed a SEMS program along with a different alternative compliance program, we believe MMS would have difficulty in effectively administering all of these programs and would be forced to move toward standardized alternative compliance measures, which would effectively defeat the purpose of the alternative compliance option.

We are of the view that a public workshop would be beneficial to MMS and OCS operators and contractors for the further exchange of ideas and perspectives on this matter. Such a workshop should include one or more panels populated by industry's drilling and production field workforce. Rowan is of the opinion that our field employees' views are generally not adequately sought in connection with rulemakings that directly affect them. Their input would be beneficial to MMS, operators and contractors. We suggest that MMS consider holding the workshop sometime in the first quarter of 2007.

Finally, we have prepared responses to the questions posed by MMS in the ANPR, which are attached.

We appreciate the opportunity to participate in this rulemaking effort and remain...

Very truly yours,

ROWAN DRILLING COMPANY, INC.



William P. Hedrick
Vice President, Regulatory Affairs

Attachment